

J. C. Penney Company
Incorporated

Financial Statement

***Operating One Thousand
Four Hundred and
Fifty Nine Stores.***

December 31, 1931.

New York, N. Y.
February 18, 1932.

**TO THE STOCKHOLDERS OF
J. C. PENNEY COMPANY:**

The financial statement and report of operations of your Company for the year ended December 31, 1931 are submitted herewith.

Sales totaled in excess of \$173,000,000 for the year, which represented a decrease of slightly less than 10% from the prior year. Retail prices of merchandise sold were constantly adjusted during the year co-incidental with the progressive decline in replacement costs, which decline was substantially in excess of the loss in total sales. During 1931 the Company continued to expand in number of customers served, having sold more units than in any previous year in its history.

Faced with a loss in volume through the recession in prices during the past year, the management continued to direct special efforts toward the maintenance of a sound and profitable operation through the medium of economies of operation of its distributing system.

Net profits after Preferred dividends for 1931 were \$7,718,599.38 as compared with net profits of \$7,096,892.16 for 1930. Profits for 1931 are equal to \$44.76 per share on the Preferred Stock and \$3.13 per share on the No-par Common, outstanding at the close of the year. In arriving at the profits for 1931, full consideration has been given to inventory mark-downs for the year. Payment of dividends on both Preferred and Common stocks were continued during the full year of 1931 and were amply covered by the earning record of the Company.

As shown by the Balance Sheet the financial and operating position of the Company remains extremely strong. Cash on hand and sums invested in Government obligations, all of which mature on or before March 30, 1932, amount to \$13,752,229.77, which after allowance for all amounts payable but not due makes obvious a strength which reflects assurance to the stockholders of the Company.

Merchandise inventory at the close of the year is slightly higher than at the close of 1930. This is in conformity with the 1931 policy of the management which was to keep adequate and balanced stocks of merchandise on hand to maintain through to the end of the present period the good will of our trade which has been steadily built during the last 30 years.

Particular attention has also been given to the maintenance and development of the personnel of the organization in its central offices and 1459 stores. In our opinion the Company's present financial position and personnel setup will serve as a strong and efficient foundation for the future development of our business.

During the last two years we have not materially increased the number of operating units of the Company, but have endeavored to consolidate our position in the interests of conservatism and security. While we feel the times do not warrant the undertaking of any extensive program, it will be the policy of the management to accept leases for new locations in those cases where the terms are such as to assure profitable operation.

Respectfully submitted,

E. C. SAMS, President.

J. C. PENNEY CO

BALANCE SHEET AS AT DECEMBER 31, 1931

ASSETS

Cash in Banks and on Hand		\$ 5,298,550.03
United States Treasury Bills, less Unearned Discount (at Cost)		8,453,679.74
Merchandise—at Cost or Market whichever is lower		36,332,947.41
		<hr/> 50,085,177.18
Prepaid Expenses—Unexpired Insurance Premiums, Etc.		404,172.07
Stock Subscription Contracts for Capital Stock held for Employees, less Payments made		9,280.23
Accounts Receivable, Advances, Etc.:		
Subsidiary Companies	\$ 2,299,149.10	
Miscellaneous	225,904.45	2,525,053.55
		<hr/>
Investment in Subsidiary Companies (including Undistributed Profits)—at Book Values shown by Subsidiaries		1,942,459.77
Land and Buildings—at Cost	2,804,492.86	
Less Depreciation	134,977.39	
	<hr/> 2,669,515.47	
Furniture and Fixtures—at Cost, less Depreciation	8,296,335.69	
	<hr/> 10,965,851.16	
Improvements and Leaseholds—at Cost, less Amortization	4,084,680.43	15,050,531.59
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Treasury—40,000 shares of Common Stock— at Cost, held for resale to Employees		1,406,066.13
		<hr/> \$71,422,740.52
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To the Board of Directors of
J. C. Penney Company, Inc.,
New York, N. Y.

We have examined the accounts relating to the assets of the Company, Inc. as at December 31, 1931. The quantities and inventories prepared by the Company have been certified to official. We have satisfied ourselves that the valuation was correct, whichever was the lower.

In our opinion, based on our examination and information, the accompanying Balance Sheet sets forth the financial condition of the Company as at December 31, 1931.

New York, N. Y.,
February 18, 1932.

PEAT, MA

NEY COMPANY

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CEMBER 31, 1931.

LIABILITIES

Accounts Payable, not yet due		\$ 3,100,430.07
Reserve for Federal Income Tax		<u>1,227,956.82</u>
		4,328,386.89
Mortgage Payable		50,500.00
Reserves for Fire Losses, Etc., and Employees Death Benefits		1,534,684.75
Reserve for Contingencies:		
Balance as at December 31, 1930	\$ 1,300,000.00	
Transferred to Surplus—1931	<u>1,000,000.00</u>	300,000.00
Capital Stock:		
Preferred 6% Cumulative, \$100.00 Par Value—		
Authorized, \$30,000,000.00; Outstanding	19,916,100.00	
Classified Common, \$100.00 Par Value—		
Authorized, \$5,000,000.00; Outstanding	32,000.00	
Common, No Par:		
Authorized, 3,000,000 shares.		
Outstanding, 2,468,861 shares	<u>23,620,589.57</u>	43,568,689.57
Surplus (Earned)		21,640,479.31
Contingent Liabilities—None Reported.		

\$71,422,740.52

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The quantities and valuation of the merchandise
ave been certified to be correct by a responsible
t the valuation was made on the basis of cost or

nation and information furnished to us, the accom-
financial condition of the Company at December

PEAT, MARWICK, MITCHELL & CO.

J. C. PENNEY COMPANY

Income Account For Year Ended December 31, 1931.

(Including Profits of Subsidiaries)

Sales		\$173,705,094.52
Cost of Merchandise Sold, Selling and General Expenses	\$162,756,465.27	
Depreciation and Amortization	<u>1,743,217.51</u>	<u>164,499,682.78</u>
		9,205,411.74
Discount on Purchases and Miscellaneous Income		<u>574,126.30</u>
Net Profit before Federal Income Tax		9,779,538.04
Reserved for Federal Income Tax		<u>1,217,729.27</u>
		8,561,808.77
Add 1931 Profits of Subsidiaries		<u>53,756.61</u>
Transferred to Surplus		<u><u>\$ 8,913,565.38*</u></u>

Note:

*Net Income applicable to Common, No Par Stock	\$7,722,745.37
Less Loss applicable to Classified Common Stock	<u>4,145.99</u>
	7,718,599.38

Add Preferred Stock Dividends paid from Surplus	<u>1,194,966.00</u>
Total	<u><u>\$ 8,913,565.38</u></u>

Earnings per share, after Preferred Stock Dividends, on Common (No Par Value) Stock (includes Earnings of Subsidiaries)	<u><u>\$ 3.13</u></u>
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Shares of Common Stock (No Par Value) outstanding at end of year	<u><u>2,468,861</u></u>
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EARNED SURPLUS ACCOUNT

Surplus at December 31, 1930	\$ 18,754,503.76
Transfer from Reserve for Contingencies	1,000,000.00
Adjustment on Conversion of Classified Common Stock	<u>20,219.57</u>
	19,774,723.33
Add Net Income for 1931	<u>8,913,565.38</u>
	28,688,288.71

Less Cash Dividends:	
Preferred Stock	\$1,194,966.00
Common Stock	<u>5,852,843.40</u>
	7,047,809.40
Surplus at December 31, 1931	<u><u>\$ 21,640,479.31†</u></u>

Note:

†Earned Surplus applicable to Common, No Par Stock	\$ 21,661,028.33
Deficit applicable to Classified Common Stock	<u>20,549.02</u>
Net Total	<u><u>\$ 21,640,479.31</u></u>

OFFICERS

J. C. PENNEY
Chairman of the Board

E. C. SAMS	<i>President</i>
LEW V. DAY	<i>Vice-President</i>
W. A. REYNOLDS	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
A. J. RASKOPF	<i>Secretary</i>
R. W. TROWN	<i>Comptroller</i>

DIRECTORS

J. C. PENNEY, *Chairman*

E. C. SAMS	R. H. OTT
GEO. H. BUSHNELL	G. H. CROCKER
J. I. H. HERBERT	L. A. BAHNER
L. W. HYER	W. A. REYNOLDS
LEW V. DAY	EARL A. ROSS